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## County of Los Angeles CHIEF EXECUTIVE OFFICE

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To: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: Sachi A. Hamai  
Chief Executive Officer

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### SACRAMENTO UPDATE – CAP-AND-TRADE EXPENDITURE PLAN AGREEMENT

#### Executive Summary

This memorandum contains a report on the \$900.0 million Cap-and-Trade Expenditure Plan proposed on August 31, 2016, by Governor Jerry Brown, Assembly Speaker Anthony Rendon, and Senate Pro Tempore Kevin de León. The proposal is contained in two bills:

- **AB 1613 (Committee on Budget)** – appropriates the cap-and-trade revenue that is to be appropriated annually through the State Budget process or through legislation; and
- **SB 859 (Committee on Budget)** – provides statutory changes related to greenhouse gas reduction and public resources necessary to implement the 2016 State Budget Agreement.

Both bills passed the Legislature on August 31, 2016, and now proceed to the Governor, who is expected to sign them.

#### Background

A long-term cap-and-trade investment plan was approved as part of the FY 2014-15 State Budget Act (SB 862, Chapter 36, Statutes of 2014). The investment plan allocates cap-and-trade revenues, beginning in FY 2015-16 and through 2020, to the following categories of projects:

- 25 percent continuously appropriated for construction of high-speed rail;

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- 35 percent continuously appropriated for transit, affordable housing, and sustainable communities, as follows:
  - 5 percent to local transit agencies for low carbon transit operations (new or expanded bus and rail services) through the State Transit Assistance formula, administered through Caltrans;
  - 10 percent in competitive grants to local agencies for transit and inter-city rail capital programs (capital improvements) administered by the California Department of Transportation (Caltrans) and the California Transportation Commission (CTC);
  - 20 percent for affordable housing and sustainable communities strategies that support transit ridership and demonstrates a reduction in greenhouse gases; and
- 40 percent annually appropriated through the State Budget or legislation for investments in programs that include low-carbon transportation, energy efficiency and renewable energy, and natural resources and waste diversion.

Due to a lack of consensus between the Legislature and the Governor, the 40 percent of cap-and-trade revenues that are to be appropriated annually through the State Budget or legislation have gone unallocated in FY 2015-16 and FY 2016-17 to date.

The long-term cap-and-trade investment plan identifies cap-and-trade programs as:

- Transit, Affordable Housing, and Sustainable Communities Program
- Transit and Intercity Rail Program
- Low Carbon Transit Operations Program
- High Speed Rail Program
- Clean Vehicle Rebate Project
- Energy Efficiency State Property Revolving Fund
- Timberland Environmental Impact Report for Carbon Sequestration and Fuel Reduction Program
- Waste Diversion and Greenhouse Gas Reduction Financial Assistance Program

The legislation which created the cap-and-trade program and the long-term investment plan also requires that certain percentages of revenues be allocated to disadvantaged communities.

### **Cap-and-Trade Expenditure Plan**

The Cap-and-Trade Expenditure Plan invests \$900.0 million of unallocated cap-and-trade revenues for FY 2016-17, and reserves approximately \$462.0 million for appropriation in future years. It does not impact the 60 percent of annual cap-and-trade revenues that are allocated on an annual basis for public transit, affordable housing, sustainable communities, and high-speed rail.

**AB 1613 (Committee on Budget)**, which as amended on August 30, 2016, amends the FY 2016-17 State Budget Act (SB 826, Chapter 23, Statutes of 2016) to appropriate \$900.0 million of Greenhouse Gas Reduction Funds consistent with the 2016 Cap-and-Trade Plan and appropriates funding to the following programs:

- 1) \$135.0 million for the Transit and Intercity Rail Capital Program, helping fund essential local capital projects to keep Californians moving by bus and commuter rail;
- 2) \$10.0 million for the Active Transportation Program to fund bicycle and pedestrian programs that make walking or biking to school and work safer and easier;
- 3) \$133.0 million for a reformed Clean Vehicle Rebate Project, which help low- and middle-income families purchase the newest, cleanest vehicles available;
- 4) \$150.0 million for the Heavy Duty and Off-Road Investments to help develop and pilot cleaner industrial vehicles, buses, and port equipment with new low or zero emissions;
- 5) \$80.0 million for the Enhanced Vehicle Fleet Modernization Program to provide low-income families help in replacing their existing polluting vehicle with a newer, cleaner vehicle;
- 6) \$140.0 million for the Transformative Climate Communities Program to allow for a community-wide approach for disadvantaged communities specified in statute to implement an integrated transportation, housing, and green space development plan to reduce pollution and improve local quality of life;
- 7) \$5.0 million to reduce black carbon emissions by supplementing successful local programs to reduce wood smoke pollution through fireplace, stove, and heater replacement;
- 8) \$40.0 million for waste diversion projects for organic material which fund projects that have a double environmental benefit to capture greenhouse gases while also reducing methane emissions;
- 9) \$7.5 million for the Healthy Soils Program, to establish innovative farming practices that capture carbon, reduce water use, and improve soil health;
- 10) \$50.0 million for programs that help dairies reduce emissions and pollution associated with animal manure;
- 11) \$7.5 million to continue the successful State Water Efficiency and Enhancement Program (SWEET), which helps replace older inefficient water irrigation and pumping equipment with new state-of-the-art replacements that pollute less and save water;

- 12) \$25.0 million for the Healthy Forest Program, which preserves existing forests by reducing the threat of wildfires by reducing fuels, removing dead trees, and providing long-term protection to forest land;
- 13) \$80.0 million for the Urban Greening Program, to create green spaces and parks in communities in California that lack green space;
- 14) \$15.0 million to continue the successful Urban Forestry Program, which helps urban disadvantage communities plant trees in their neighborhood;
- 15) \$20.0 million to help individuals in low-income communities reduce their energy use with weatherization and energy efficiency improvements, including solar installations; and
- 16) \$2.0 million to assist disadvantaged communities and local governments with developing climate action plans.

This bill also declares that it is to take effect immediately as a State Budget Bill.

AB 1613 passed the Senate Floor by a vote of 25 to 11 and the Assembly Floor by a vote of 51 to 28 on August 31, 2016. This measure now proceeds to the Governor.

**SB 859 (Committee on Budget and Fiscal Review)**, which as amended on August 31, 2016, provides statutory changes related to greenhouse gas reduction and public resources necessary to implement the 2016 State Budget Agreement. Specifically, this bill would:

- 1) Effective November 1, 2016, and through June 30, 2017, reduce eligibility for vehicle rebates offered by the Clean Vehicle Rebate Project by reducing the maximum income eligibility levels to qualify for rebates and restricting rebates offered to certain plug-in hybrid electric vehicles;
- 2) Require a grantee of Greenhouse Gas Reduction Funds (GGRF) for dairy programs to determine and mitigate impacts of investments of a proposed project on pollution, toxic air containments, groundwater and surface water impacts, truck traffic, and odor;
- 3) Require the California State Air Board to develop a standardized emissions greenhouse gas emissions inventory for natural and working lands and a framework for accounting for emission reductions from forests;
- 4) Require retail sellers of electricity to purchase a total of 125 megawatts of power from biomass facilities that generate electricity from forest materials removed from specific high-fire hazard zones, as designated by Calfire in the Governor's Proclamation of a State of Emergency issued on October 30, 2015;
- 5) Establish an urban greening program, which authorizes the Secretary of Natural Resources to award GGRF funding to local governments and non-profits to develop greening projects, such as park expansions;

- 6) Establish a Healthy Soils Program which funds farmer demonstration projects that achieves greenhouse gas reductions through increasing soil organic matter and improving soil structure;
- 7) Expand and clarify the definition of eligible uses for the Greenhouse Gas Reduction Revolving Loan Program operated by CalRecycle; and
- 8) Appropriate \$1.4 million to provide grants for the projects that eliminate public health and safety risks for wastewater, agricultural, and other discharge of urbanized areas of tributaries of the Salton Sea; among other provisions.

This bill also declares that it is to take effect immediately as a bill providing for appropriations related to the 2016 State Budget Bill.

SB 859 passed the Assembly Floor by a vote of 51 to 20 and the Senate Floor by a vote of 25 to 11 on August 31, 2016. This measure now proceeds to the Governor.

**This office is working with the Internal Services Department and the Department of Public Works to analyze both bills and will report back on the potential impact on the County.**

We will continue to keep you advised.

SAH:JJ:MR  
OR:AO:gl

c: All Department Heads  
Legislative Strategist